



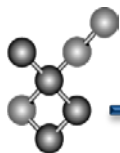
What Bank Investors Want

September 12, 2012



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<http://www.snlcenter.com/bfls/default.asp>

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October 23-24, 2012, New York, NY

A comprehensive introduction to derivative financial products - options, futures, forwards and swaps - that banks use to manage their balance sheet, income statement, and risk profile for themselves and their customers.

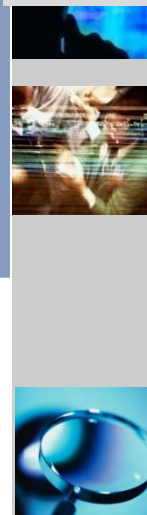
<http://www.snlcenter.com/derivatives/default.asp>

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What Bank Investors Want:

An Institutional Investors Perspective

September 2012

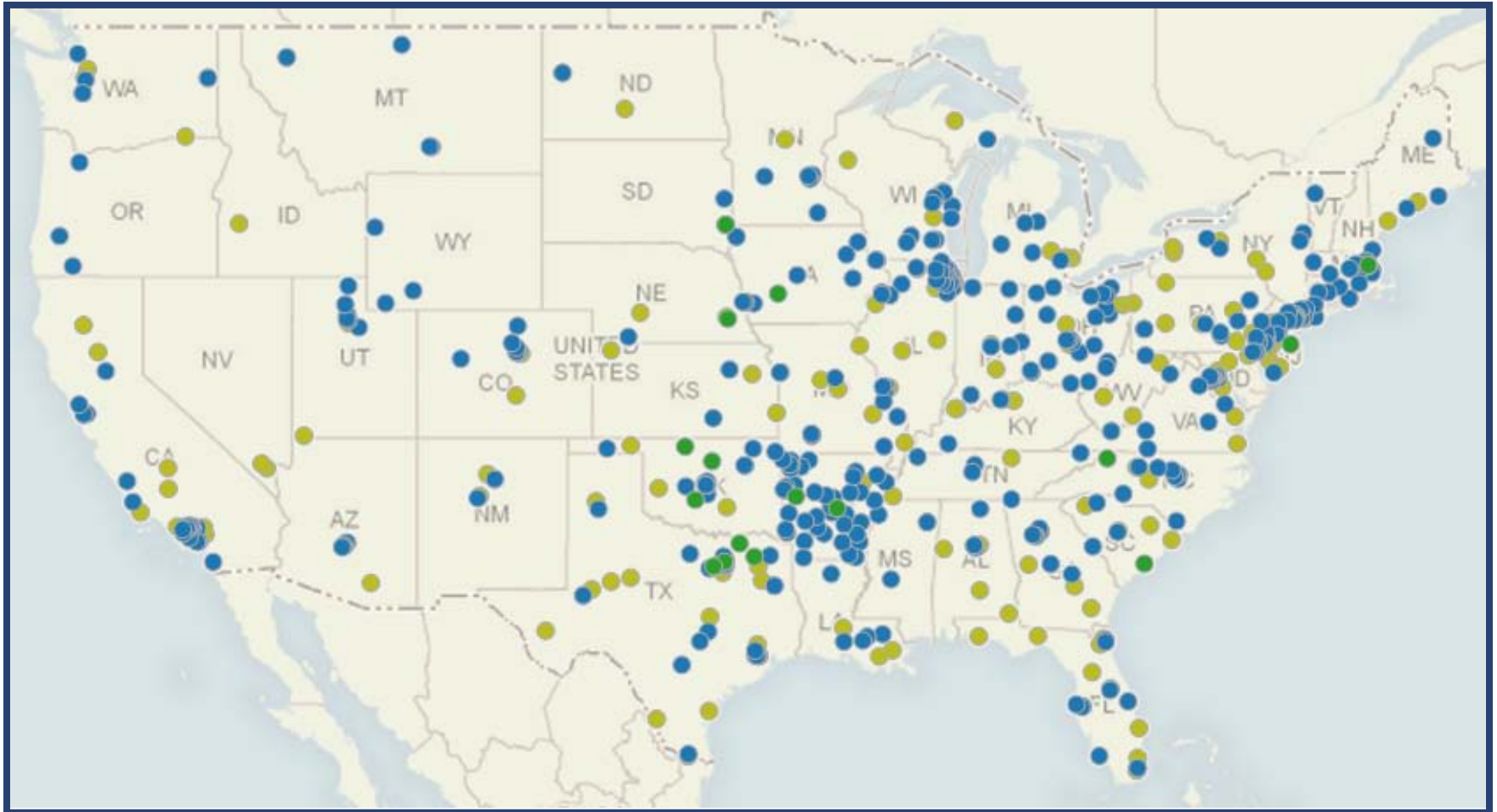


About StoneCastle



- StoneCastle Partners, LLC (“SCP” or “StoneCastle”) was founded in 2003 and is one of the largest managers of investment funds and provider of advisory services dedicated to the U.S. community banking sector
- Institutional asset management, investment advisory, and asset-liability management advisory to regional and community banks, corporations and institutional investors comprise its core competencies
 - 30+ professionals with deep community banking expertise
 - Over \$4 billion of managed assets, over \$2 billion of direct bank capital investments
- StoneCastle has privately executed 220+ capital transactions as principal, expanding the capital base and lending capacity of community banks in 43 states
- SCP is wholly owned by its principals and by funds controlled by Charlesbank Capital Partners (former private equity division of the Harvard Endowment) and the Canadian Imperial Bank of Commerce (CIBC)

StoneCastle Has A National Industry Reach



- Direct Bank Investment
- FICA Bank Account
- Both



RAMPART is StoneCastle's proprietary bank-rating and credit technology platform which allows it to quickly assess a bank's strength and performance record using both regressive and stress-test analyses

Forward-looking metrics

- Capital relative to asset quality
- Exposures to problem asset classes
- Profitability

Historical metrics

- Growth
- Profitability
- Capital
- Liquidity

Proprietary Algorithm weights metrics based on correlations to bank failure

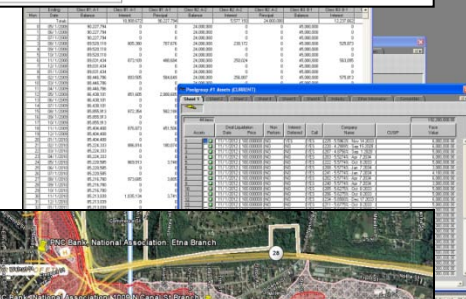
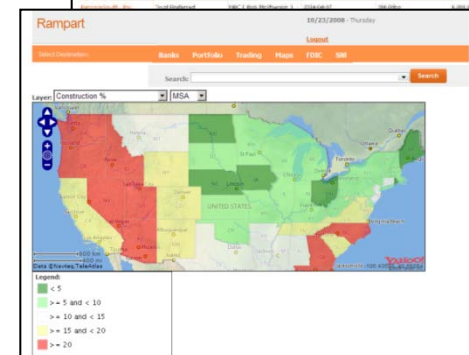
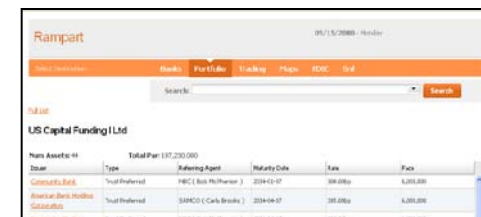
SCP A - CAMELS 1 – S&P AA+/AA

SCP B – CAMELS 1,2 – S&P AA-/A-

SCP C – CAMELS 2,3 – S&P BBB/BB+

SCP D – CAMELS 3,4 – S&P BB/B

SCP E - CAMELS 4,5 – S&P B-/CCC-





State of the Markets

Community Bank Overview



< \$5b in Total Assets <i>(Median values)</i>	2009Y	2010Y	2011Y
Number of Institutions	7848	7497	7194
Total Assets (billion)	\$2,521	\$2,435	\$2,392
ROA	0.46%	0.60%	0.70%
Net Interest Margin	3.73%	3.83%	3.83%
Non-current Loans	1.74%	1.77%	1.64%
Net Charge-off Rate	0.44%	0.44%	0.33%
Earnings coverage of NCOs	2.97x	3.37x	4.28x
Leverage Ratio	9.30%	9.42%	9.77%
Tier I Ratio	13.27%	14.09%	14.98%
Total Risk-Based Ratio	14.41%	15.27%	16.17%
Efficiency Ratio	73.78%	72.11%	71.75%
Retained Earnings / Average Equity	1.54%	2.87%	3.61%
Cash Dividends / Net Income – All	3.67%	8.20%	15.77%
Cash Dividends / Net Income – Sub-S	53.94%	48.89%	50.48% ¹

¹ Comprised of 2,308 Subchapter S institutions
Source: FDIC, SNL Financial.

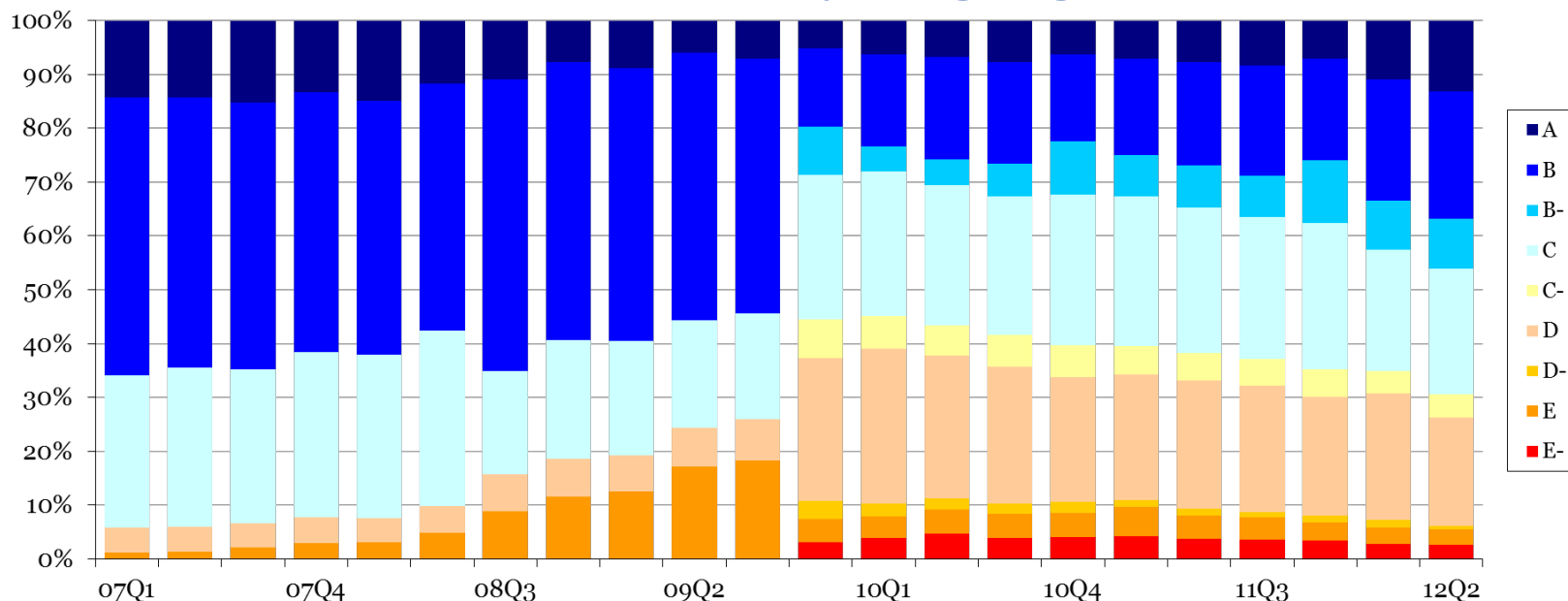
Community Banks Are Profitable And Industry Is Improving



Banks < \$5b in Total Assets (2012Q2)	Average	Median	Number of Banks
ROAA	0.93%	0.82%	7,105
Only <u>Well Capitalized</u> & <u>Profitable</u>	1.24%	0.91%	6,244
ROAE	6.31%	7.39%	7,105
Only <u>Well Capitalized</u> & <u>Profitable</u>	9.67%	8.19%	6,244

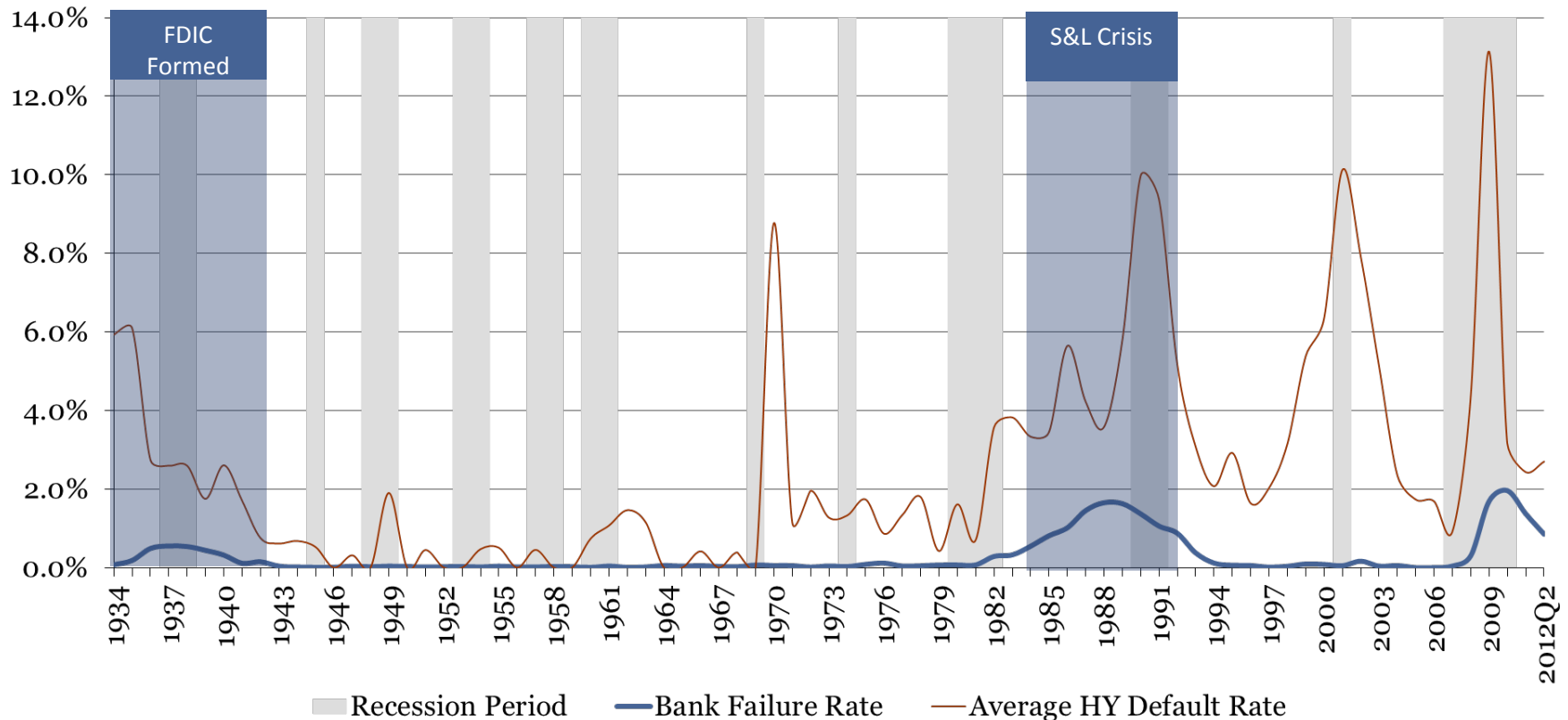
- 89% of banks less than \$5b in total assets were profitable
- Based upon PCA standards and public information, 21% of the unprofitable banks in this quarter were below Well Capitalized

StoneCastle Industry Ratings Migration





Corporate Defaults versus Bank Failures



- Banks are less risky than other corporations
- Historically, banks have performed similar to A/BBB corporate credits

Source: FDIC, Moody's Economy

Aging Management Teams and Lack of Succession Planning



- Average age of a community bank Executive Management team is in the mid-60s
- Average age of a community bank Board of Directors is in the low-70s
- Younger generations focused more on investment banking than traditional banking
- Lack of succession planning at smaller community banks is playing out heavily in the Midwest region
- However, universities are increasingly offering specialized programs:
 - The ABA has taken a leading partnering with various institutions, including the University of Pennsylvania, to offer certificate and degree programs
 - Boston University recent launched a M.S. in Banking & Financial Services



Divestitures Can Create Great Expansion Opportunities



US Bank and Thrift Branch Sales	2007	2008	2009	2010	2011	2012 YTD
Number of deals	71	65	79	78	84	47
Number of branches	184	192	264	183	417	241
Deposits sold (\$M)	3,335.9	2,899.7	12,238.7	5,507.6	20,457.9	7,027.5
Median premium/deposits (%)	7.84	5.00	3.30	3.38	3.92	2.93

Source: SNL Financial as of July 16, 2012; excludes terminated deals



- **HSBC to Sell 195 Branches to First Niagara for \$1 Billion – *Bloomberg*, August 1, 2011**



- **Camden National Corporation Acquires 15 Branches – *SNL Financial*, April 23, 2012**



- **Ohio Thrift Awaiting End to C&D Order After Branch Sale – *SNL Financial*, April 24, 2010**



- **Waccamaw Bankshares Issues Going Concern Warning – *SNL Financial*, March 2, 2012**
- **Waccamaw Bank Becomes North Carolina's 1st Failure of 2012– *SNL Financial*, June 8, 2012**



- **NIM compression** via low loan and securities yields continues to hurt earnings – cost of funds/interest bearing deposits adjusted almost as low as they can go
- The **cost of doing business is not getting cheaper** (expanded compliance requirements not helping)
- **Non-interest income is not strong enough** for the small banks and is disappearing from the big banks
- **Access to capital remains limited**, however innovative deals are occurring on a sporadic basis
- **Credit quality issues still prevalent** with many banks unable to take the full “hit” due to thin capital positions
- **Housing demand remains weak** – shadow inventory is thick, owning a home is not the “American Dream” it once was (cost of carrying OREO is not cheap)
- Unemployment has slightly improved but the **jobs market still has a long way to go**
- **Population migration headed the wrong way** – large amount of retirees
- **Significant global economic danger** – globalization has increased the risk profile of every private and public sector entity and is perhaps the reason why tail events seem to be occurring so frequently



An Investors Perspective

The Investment Process Overview



Management

- Determines the overall risk profile of the institution
- Creates the vision and ensures execution which drives franchise value
- Determines the “next balance sheet”

Market

- The local market drives the performance of the risk mix set by management
- With community banks, exposures is often below the state level; on a county or MSA level

Balance Sheet / Business Plan

- The results of the risk mix driven by the local economy
- The balance sheet is a snapshot in time
- With the average loan duration of roughly 5 years, the risk exposure turns over quickly



Management

- Strong character
- Long term banking experience
- Financial ties to the bank
- Strong ties to the local community
- Compensation aligned to performance
- Frequency of credit policy violations
- Loan work-out experience
- Acquisitions and integration experience

Market

- Not necessarily high growth, but stable growth
- The need for small bank consolidation
- Under-banked market with bank having high market share
- Favorable demographic and socioeconomic trends:
 - Household income
 - Population migration
 - Bankruptcy rate
 - Housing prices
 - Housing starts
 - Unemployment

Balance Sheet / Business Plan

- A viable business plan that:
 - Will not likely be impeded by regulatory impediments or delays
 - Shows innovation and differentiation from local competitors
- Consistent earnings quality
- Positive trends on forward looking metrics:
 - Second texas ratio
 - Operating leverage
 - RE concentrations



- **Hedge Funds and Private Equity**
 - Focused on picking winners and outperforming
 - Invest in fixed income, equities, commodities, currencies, etc... (unlimited universe)
 - Global markets
 - Various investment horizons

- **Community Banks**
 - Focused on avoiding losses through risk management
 - Entirely fixed income
 - Profits generated entirely through risk management
 - Loan book average duration is five years
 - Management must choose from loans in their local markets
 - Illiquid investments

Types of Bank Investors – Can You Accommodate Your Potential Investor?



	Main Goal	Time Horizon	Return Expectations	Liquidity
Public	Long term growth or income generation	5 years+	10%	High Need
Private Retail	Long term growth or income generation	5 – 10 years	10-15%	High Need
Institutional	Achieving the risk/return profile	5 – 10 years	10-15%	Intermediate Need
Private Equity	Outsized returns with exit strategy	3 – 5 years	30%+	Lower Need, More Flexible
Hedge Funds	Picking winners for alpha generation	3 – 5 years	30%+	High to Intermediate Need

Different Investors Have Different Goals!

- **Public:** IPO, Exchange Listed Equity
- **Private Retail:** Local HNWI, Doctors, Dentists, Lawyers
- **Institutional:** Pensions, Endowments, Mutual Funds
- **Private Equity**
- **Hedge Funds**





Dealing With Potential Investors

- **Be honest:**
 - Your regulatory data is public...every one can smell a lie
- **Know your balance sheet and key data off the cuff:**
 - Top 5 performing and non-performing loans
 - Largest shareholders
- **Have a vision:**
 - Why should you get capital over another bank?
 - What will you do different? Show realistic innovation!
- **Understand your investors needs:**
 - Does your vision fit their goals?

Dealing With Regulatory Roadblocks

- **Recurring issue is failed communication between:**
 - Banks and their regulators
 - Investors and regulators
- **The solution is better and deliberate communication by:**
 - Creating visualizations to show the risk, plan and strategy
 - Finding out why something is important to a regulator; your interests are almost always aligned
 - Quantifying that the goals of the bank, investors and regulators are equal
- **Build a relationship with your regulator:**
 - Be honest!
 - Besides being governmental bodies they are people too



On the Radar



Well Capitalized Standard	Current	Proposed with full CCB
Tier 1 Leverage	5.0%	5.0%
Common Equity Tier 1 RBC	-	7.0%
Tier 1 RBC	6.0%	8.5%
Total RBC	10.0%	10.5%

- **A Capital Conversation Buffer (“CCB”)** is necessary to avoid any restrictions on distributions (dividends and bonuses).
- **New liquidity requirements are included based on stress scenarios over two horizons**
 - Liquidity coverage (shorter-term): 30-day horizon focused on top tier liquid assets
 - Net stable funding (longer-term): 1-year horizon ensuring longer-dated funding is available
- **Risk weighting becomes more aggressive**
 - SFR Non-accruals to 100% from 50%; All other Non-accruals to 150% from 100%; High Volatility CRE to 150% from 100%
 - Harder to achieve lower (50%) risk weighting for performing SFR
- **AFS unrealized gains and losses to be included in capital**
- **Trust Preferred Securities are gradually phased out from Tier 1 qualification**

What Would Happen Today If BASEL III Was Fully Implemented on 6/30/2012 As Proposed?



Banks < \$5b in Total Assets	Amount	%
Holding Companies > \$500MM		
Below Well Capitalized - Current Standards	48	4.9%
Below Well Capitalized - BASEL III with Full CCB	200	20.4%
Banks and Thrifts		
Below Well Capitalized - Current Standards	245	3.4%
Below Well Capitalized - BASEL III with Full CCB	401	5.5%

- So what's the difference?
 - **152** Holding Companies move from Well Capitalized to less than Well Capitalized with Full CCB
 - **161** Banks and Thrifts move from Well Capitalized to less than Well Capitalized with Full CCB
 - **5** Banks and Thrifts move from less than Well Capitalized to Well Capitalized with Full CCB

- Along with modifying current capitalization standards and adding a new ratio, the proposal also changes the numerators and denominators of the existing standards definition. The results above have used the following simplifying assumptions:
 - **Common Equity Capital** = 6/30 Tangible Common Equity – AOCI related to CF Hedges – MSAs more than 10% of adjusted CE Tier 1 – DTAs
 - **Tier 1 Capital** = 6/30 Tier 1 Capital +/- Unrealized Gains (Losses) on AFS – MSAs more than 10% - DTAs
 - **Total Capital** = 6/30 Total Capital +/- Unrealized Gains (Losses) on AFS – MSAs more than 10% - DTAs
 - **Risk Weighted Assets** = 6/30 RWA + 50% * (All non-guaranteed 90 days past due loans + non-guaranteed accruals + commercial construction, land and development)
 - All SFR remains 50% risk weighted
 - All currently qualifying Trust Preferred Securities are completely deducted from Tier 1 Capital



Joshua Siegel, Managing Principal – StoneCastle Partners, LLC

In 2003, Joshua Siegel founded StoneCastle Partners, LLC, and has grown its assets to over \$3 billion under management. Mr. Siegel is widely regarded as a leading expert in the community banking industry. He is regularly featured at major industry conferences, workshops, seminars and panels. Mr. Siegel, an innovative educator with a passion for teaching, has been invited to better educate government regulators in this specialized field during regular, scheduled sessions, year after year. He has lead robust roundtables where he speaks fervidly about investment options in the community banking sector.

He was appointed Adjunct Professor at the Columbia Business School in New York City and just completed teaching “Financial Services: Inner-workings and Imagineering” in the Spring 2011 semester. His published research studies, namely, Historical Default Rates of FDIC-Insured Commercial Banks, 1934–2001, Regional Bank Diversification, and Analysis of Idealized Cumulative Default Rates Beyond 10 Years established the basis for institutional investments into community bank hybrid capital. His research and financial innovations have brought nearly \$40 billion of capital to over 1,600 banks across America over the past ten years.

Today, StoneCastle Partners is one of the largest investment firms dedicated to investing in the banking sector and, as a result of his prominence in the field, Mr. Siegel is a frequent commentator on major business television programs, such as CNBC and Forbes.com, and has been widely quoted in major industry and trade publications, including: The Wall Street Journal, Pension & Investments, Dow Jones Newswire, the ABA Banking Journal, Forbes, the New York Times, the Daily Deal, American Banker and many others.

Prior to co-founding StoneCastle, Mr. Siegel was a co-founder and Vice President of the Global Portfolio Solutions Group within the Fixed Income Division at Salomon Brothers/Citigroup Global Markets, a group organized to finance portfolios of financial assets for corporations and to invest in the sector as a principal. As the group continued to grow, Mr. Siegel assumed responsibility for developing new products, including pooled investment strategies for the community banking sector.

Mr. Siegel originally joined Salomon Brothers/Citigroup in 1996 in the tax and lease division which provided structured financing to government-sponsored enterprises and Fortune 500 corporations. Prior to that, he was with Sumitomo Bank where he served in three capacities: corporate lending officer to large corporate borrowers; banker structuring equipment lease transactions for industrial and financial customers and credit derivative transactions; member of the New York Credit Committee.

Mr. Siegel began his career in private equity and merchant banking, working for Charterhouse Bank in New York and London beginning in 1994 and Sulzer Brothers in its Corporate Market Development (R&D and private capital investments) division in Winterthur, Switzerland beginning in 1992. He holds a B.S. in Management and Accounting from Tulane University.



Joshua S. Siegel
Managing Principal

StoneCastle Partners, LLC

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jsiegel@stonecastlepartners.com

MENDON
CAPITAL
ADVISORS
CORP.



BURNHAM



February 2012

Strategic Partnerships

- ❑ Registered Investment Advisor

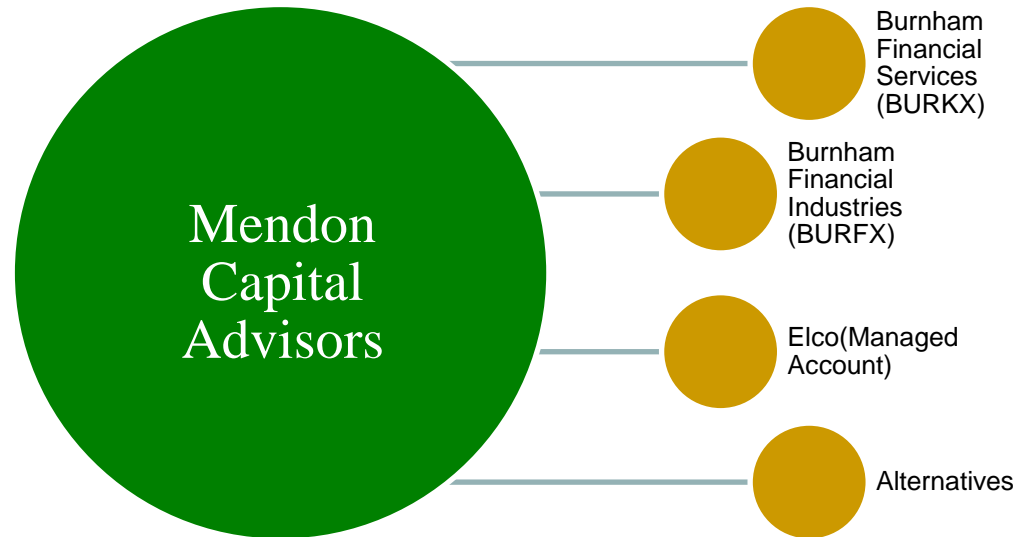
Formed in 1996 to manage Mendon Capital, LLC

- ❑ \$126 MM assets under management as of 01/30/2012

- ❑ Advisor to an offshore Master Fund with (2) onshore and (1) offshore feeder funds

- ❑ Sub-advisor to two Burnham Asset Management mutual funds, both since inception

- ❑ Sub-advisor to Elco Management separately managed account



Mendon and Financials

The Firm

- Experienced management with industry contacts
- Strong infrastructure
- Long-standing and successful third-party relationships
- Significant investment by insiders

The Investment Strategy

- The financial services sector presents attractive investment opportunities
- Focus on consolidation / events in financial sector
- Flexible investment strategies (M&A, long only, long/short, large cap, small cap)
- Reproducible and scalable research and risk management processes

The Opportunity

- Breadth of sector – Financial services is a large sector in the S&P 500 accounting for 15%
- Financial consolidation has a long way to go

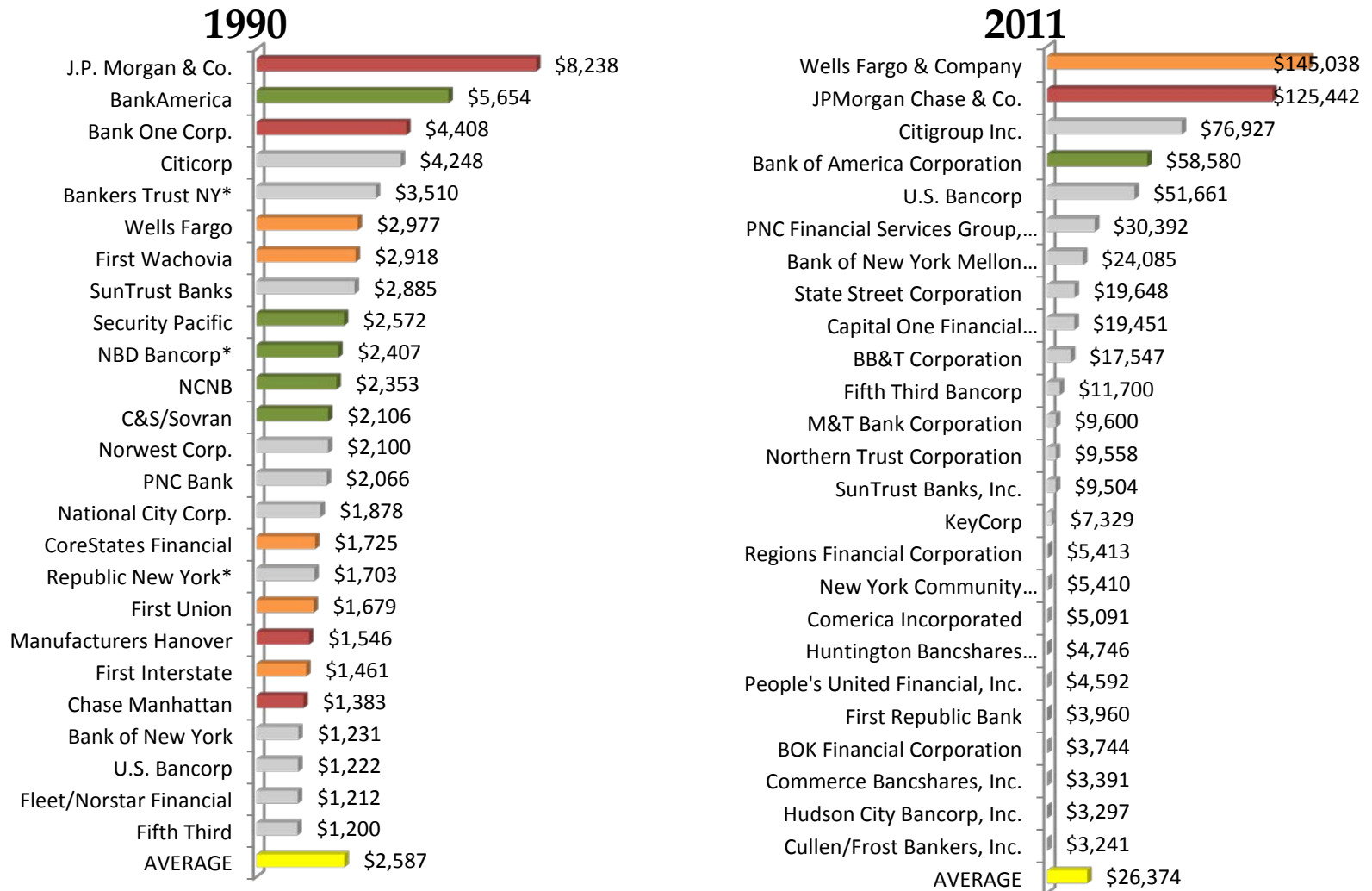
Biography

Anton V. Schutz – President / Chief Investment Officer

- Mr. Schutz, founder of Mendon Capital Advisors Corp., is responsible for the definition and implementation of portfolio strategy for the Master Fund, the Burnham Financial Services Fund and the Burnham Financial Industries Fund. Mr. Schutz has been in the investment and risk management business since 1986, focusing on investment and portfolio management.
- Previous experience includes:
 - RBC Dain Rauscher - Institutional Sales Trading in the Financial Institutions Group.
 - Chase Manhattan Bank (ten years):
 - Chase Asset Management Special Investments Division: responsible for structuring investment products utilizing hedge funds.
 - Chase Regional Bank: headed the development and application of financial risk management strategies for firms in a variety of industries.
- Has managed assets of his own and for his family since the late 1970's.
- Has been quoted in The Wall Street Journal, Barrons, The New York Times, Financial Times, Business Week, Investors' Business Daily, Smart Money and others. Has appeared as a guest on Bloomberg, CNBC and CNNfn.
- M.B.A. in Finance from Fordham University, B.B.A. Business from Franklin & Marshall College.

Investment Theme: Consolidation at the Top

All of the Top 25 Banks Today Were Formed Through M&A Activity; From 1990, Only 10 Banks Remain



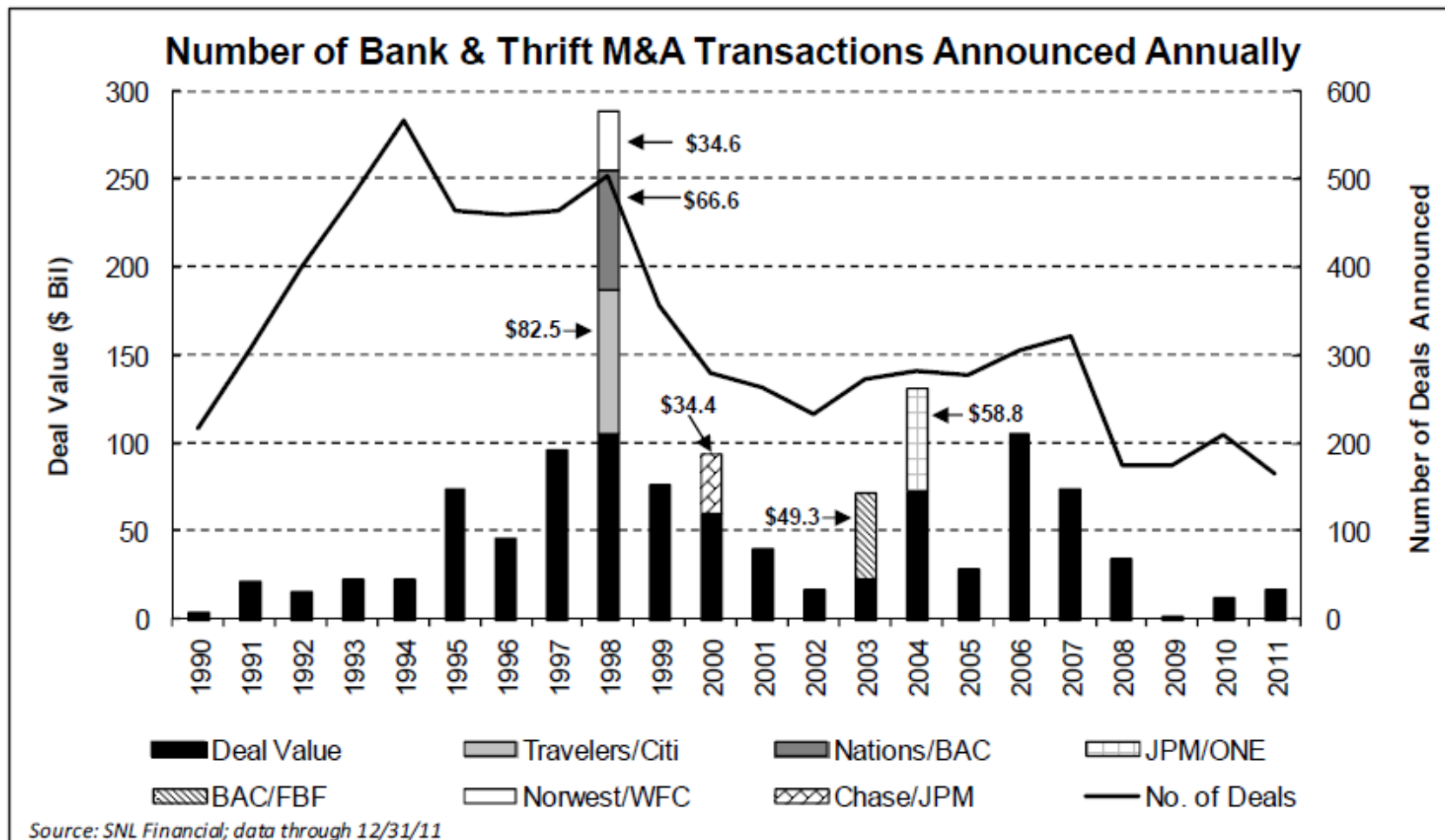
Consolidation

- After the financial crisis and in the past few years, FDIC failures played an important role in the consolidation theme. Although we will continue to see failures, this activity will slow as the sector rebounds. However, deal activity will accelerate for the following reasons and will be advantageous for both acquirers and sellers:
 - Regulatory headwinds
 - Lack of significant revenue growth
 - Tired boards and management teams
 - Attractive valuations
 - Capital constraints

Historical Consolidation Metrics

Year	Number of Deals	Aggregate Deal Value (\$M)	Average Deal Value/ Earnings (x)	Average Deal Value/ Book Value (%)	Average Deal Value/ Tangible Book Value (%)	Average Tangible Book Premium/ Core Deposits (%)
2012 (thru 3/31)	50	3,016.7	24.6	120.0	125.8	2.39
2011	161	16,970.8	29.2	102.9	107.3	1.60
2010	177	12,179.5	25.5	113.5	119.8	3.75
2009	118	1,323.6	18.7	107.6	113.8	2.18
2008	143	35,606.1	27.3	161.4	170.0	9.52
2007	288	72,041.4	25.7	214.7	230.2	17.36
2006	296	108,800.1	25.8	224.2	244.5	18.98
2005	271	29,198.7	25.0	219.8	228.7	17.68
2004	270	130,794.0	24.9	212.4	224.8	15.97
2003	260	72,348.4	23.1	205.9	215.6	14.83
2002	211	17,188.5	22.0	181.2	187.5	11.37
2001	195	32,311.4	22.0	181.6	189.1	11.35

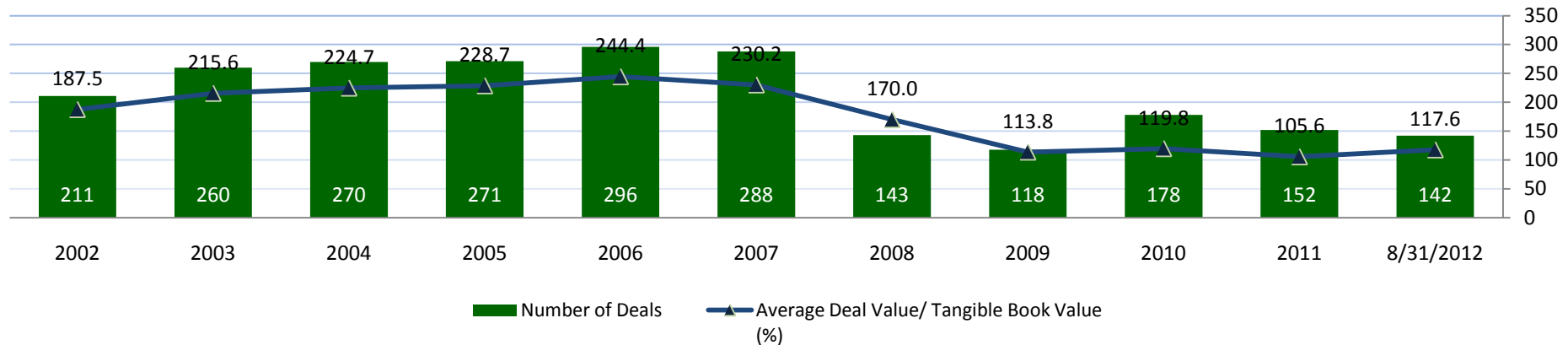
Consolidation



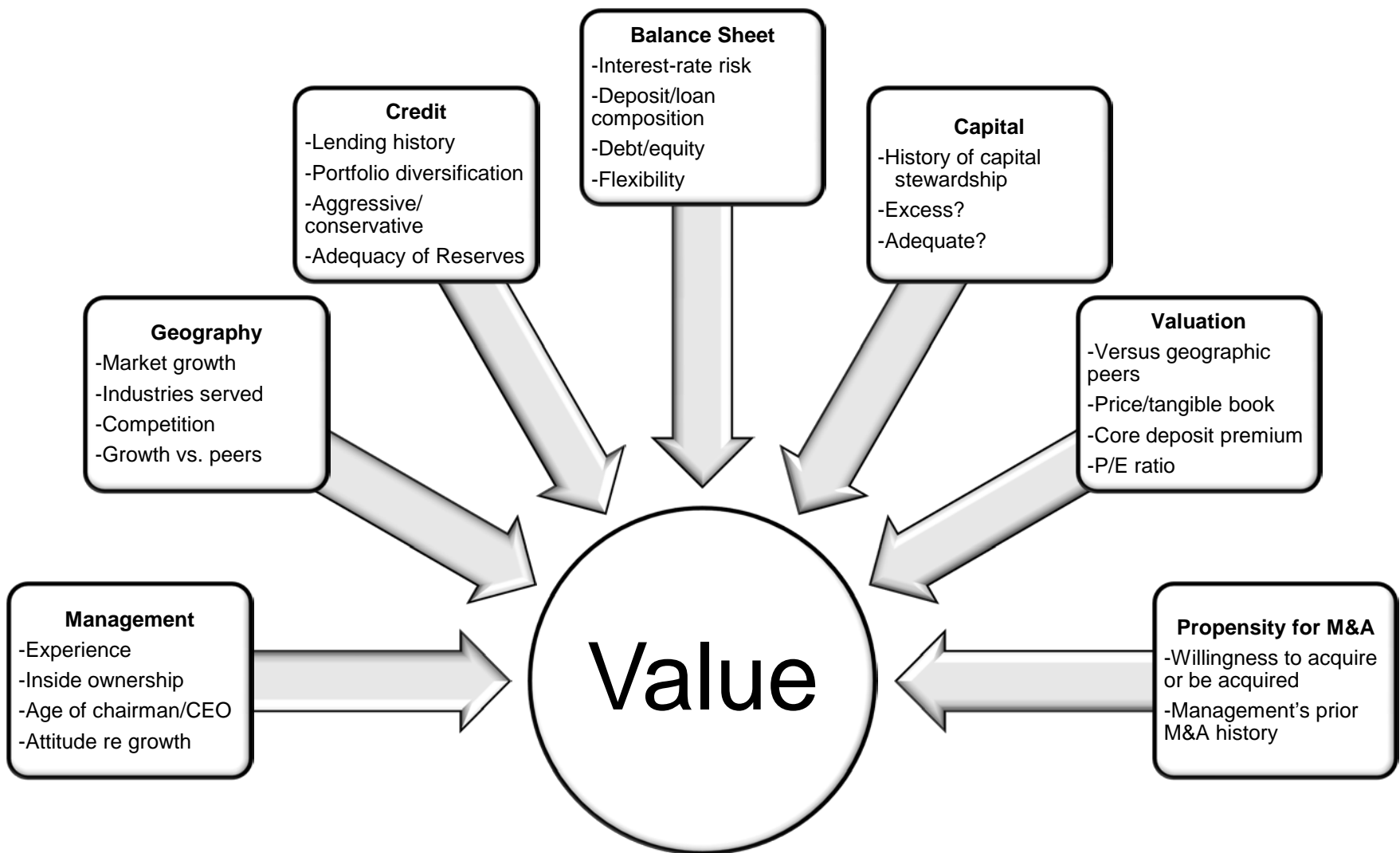
Industry Consolidation in Community Banking Sector

Drivers of M&A are in Place

- Operating “fatigue” due to current credit, economic and regulatory environment likely to accelerate consolidation in the industry
- Scale becomes more important given revenue pressures and higher levels of fixed costs
- An average of 212 depository institutions sold per year since 2002



Investment Process



The Endicott Group

 **SNL**Financial Webinar:

What Bank Investors Want

Private Equity Investing in Community Banks

September 12, 2012

Wayne K. Goldstein, Principal & Co-Founder
The Endicott Group
360 Madison Avenue, 21st Floor
New York, NY 10017
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Disclaimer

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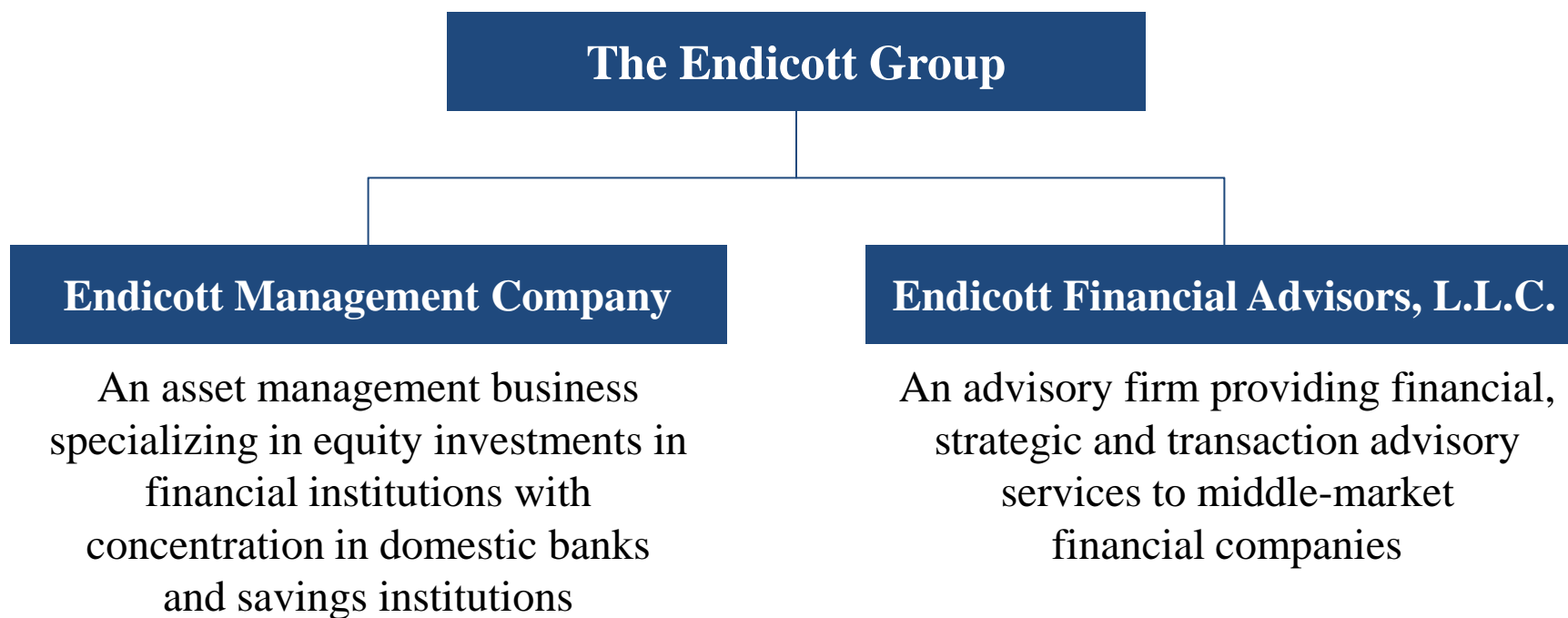
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I. Introduction to Endicott

Overview of The Endicott Group



Overview of Endicott Management Company

An asset management firm specializing in equity investments in regulated banking institutions

- Founded in May 1996 by Wayne K. Goldstein and Robert I. Usdan
- Mission is to generate above market returns for our investors through investments in the banking sector while limiting downside risk
- Investment experience includes managing bank-focused hedge fund for 12 years and three “Opportunity Funds.” The Opportunity Funds have held over 50 bank investments and have exited 18 since inception.
- The “Opportunity Funds”
 - Endicott Opportunity Partners, L.P. (“EOP”): \$49 million in committed capital
 - Endicott Opportunity Partners II, L.P. (“EOP II”): \$79 million in committed capital
 - Endicott Opportunity Partners III, L.P. (“EOP III”): \$249 million in committed capital

Endicott's Strategy

Investment and advisory experience provides a distinct advantage in both value identification and value realization

Value Identification

- Opportunistic approach to investing focused on franchise value
- Robust and systematic process to due diligence and investment decisions
- Breadth and depth of industry relationships, with each partner having 25+ years of investing and advising experience in the community banking industry

Value Realization

- Hedge fund track record, 15% IRR over 12 years, demonstrates ability to manage market volatility, recognize business cycles and execute an opportunistic investment strategy
- 18 investments realized from the Opportunity Funds since 2005
- Endicott Financial Advisors, L.L.C., an affiliated advisory business, provides additional insight into banking trends and merger and acquisition activity

II. Endicott Investment Process

Investment Process

1 Initial Company Review

- Management meetings
- Initial financial analysis / modeling
- Review strategic plan
- Diligence key issues
- Return parameters / risk

2 Due Diligence

3 Deal Execution

4 Post Investment Monitoring

Investment Process

1

Initial Company Review

2

Due Diligence

- Market / branch analysis
- Loans, securities and asset quality
- Deposits and borrowings
- Corporate structure, Board materials, and asset and liability management
- Legal and personnel
- Accounting, tax and audit

3

Deal Execution

4

Post Investment Monitoring

Investment Process

1 Initial Company Review

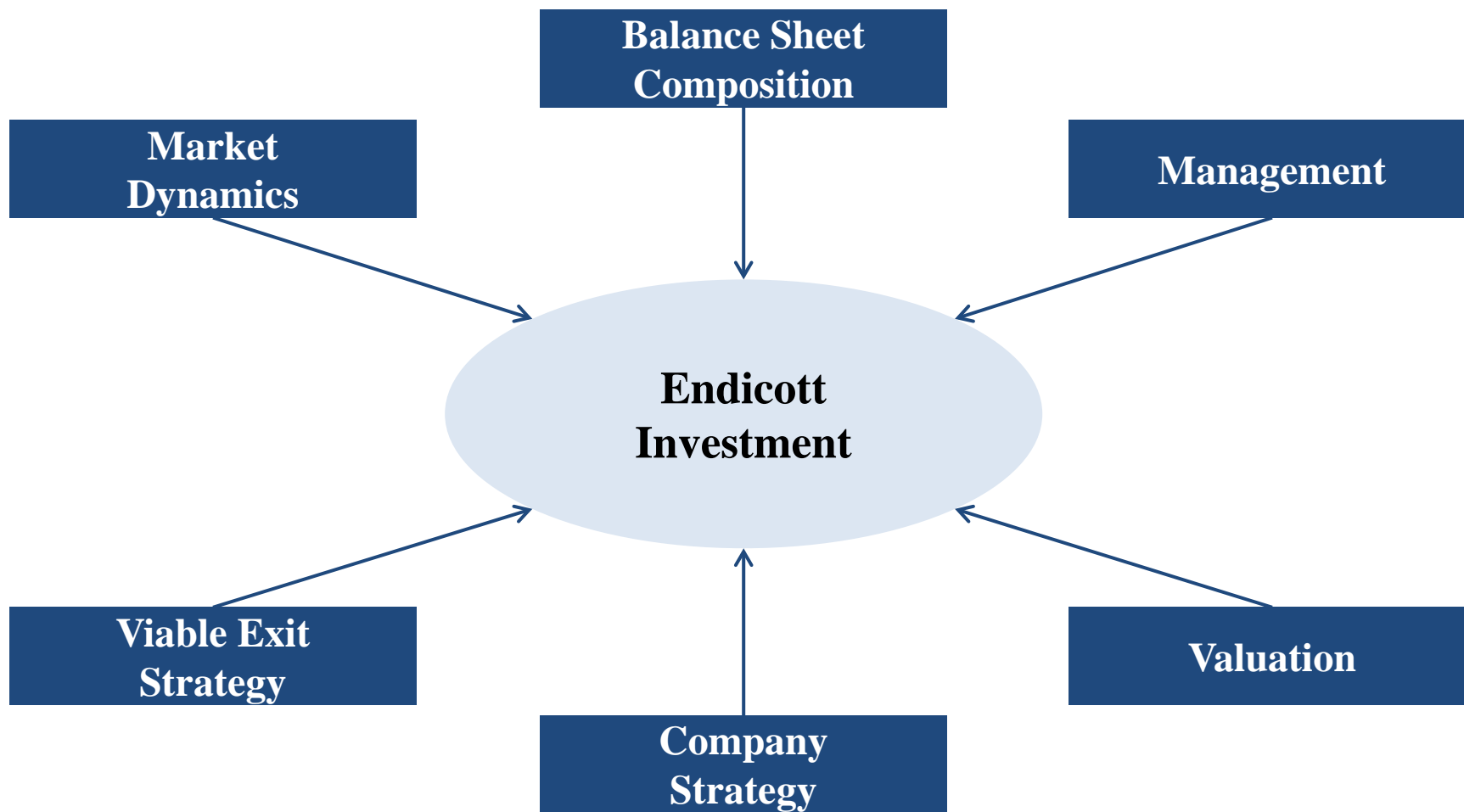
2 Due Diligence

3 Deal Execution

4 Post Investment Monitoring

- Update financial analysis
- Internal discussions
- Documentation
- Fund Investment

Investment Considerations



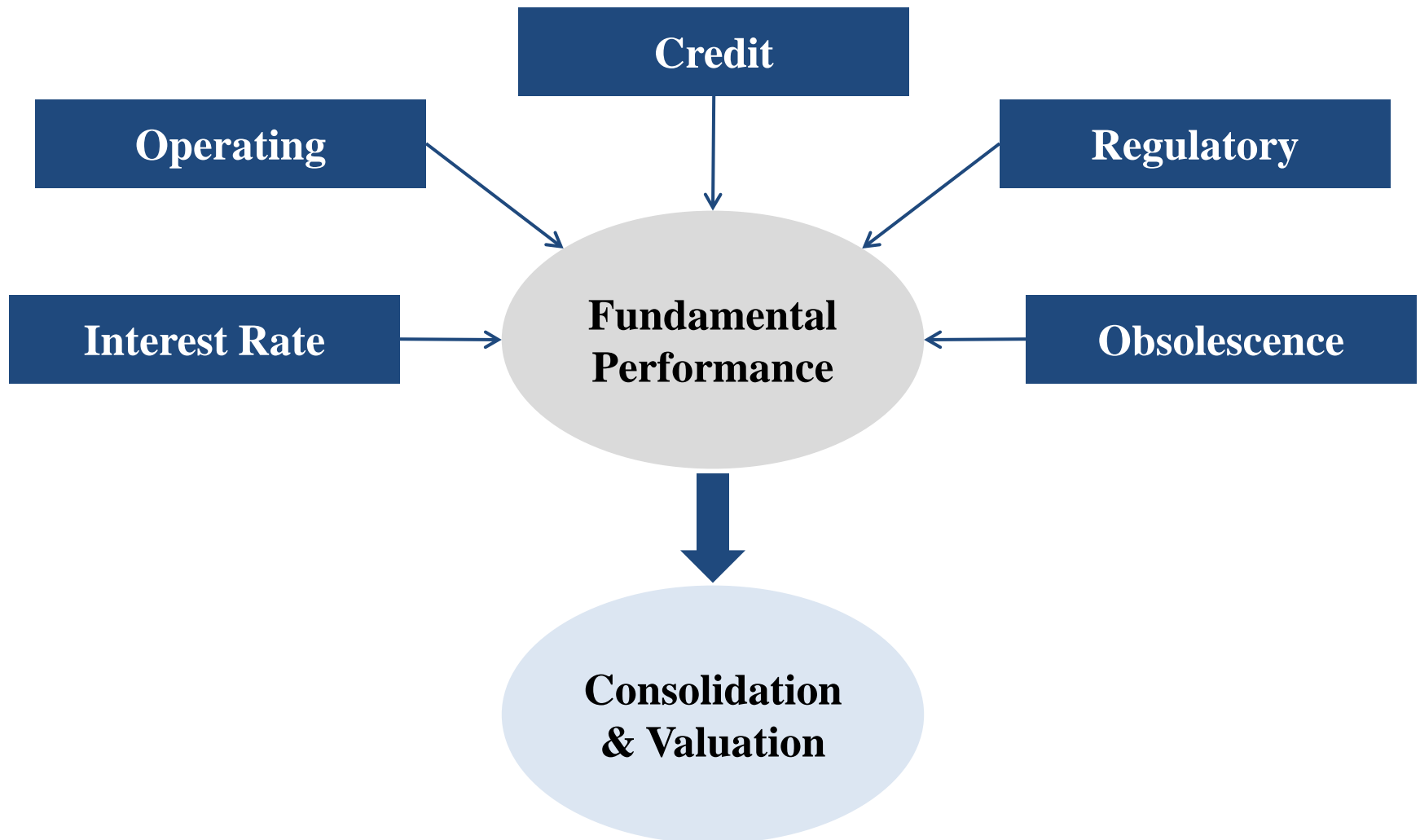
Illustrative Investment “Check List”

- Transaction overview
- Investment pros and cons
- Management team
- Board of Directors
- Ownership profile
- Historical performance
- Branch footprint
- Geography and market share
- Macroeconomic trends
- Public market trading comparables
- Merger market comparables
- Exit opportunities
- Credit quality, including third party loan review
- Base model and returns
- Sensitivity analysis

III. Industry Factors

Industry Factors

Five industry factors drive fundamental performance and are the key elements behind consolidation and valuation



Consolidation

Cyclicalities of banking as presented in four stages

Rates: Flat yield curve
Credit: Spreads are tightest
Valuation: Multiples high with price-to-earnings emphasis
Earnings: Reach historic highs
M&A: Active at high multiples
Regulatory: Accommodative

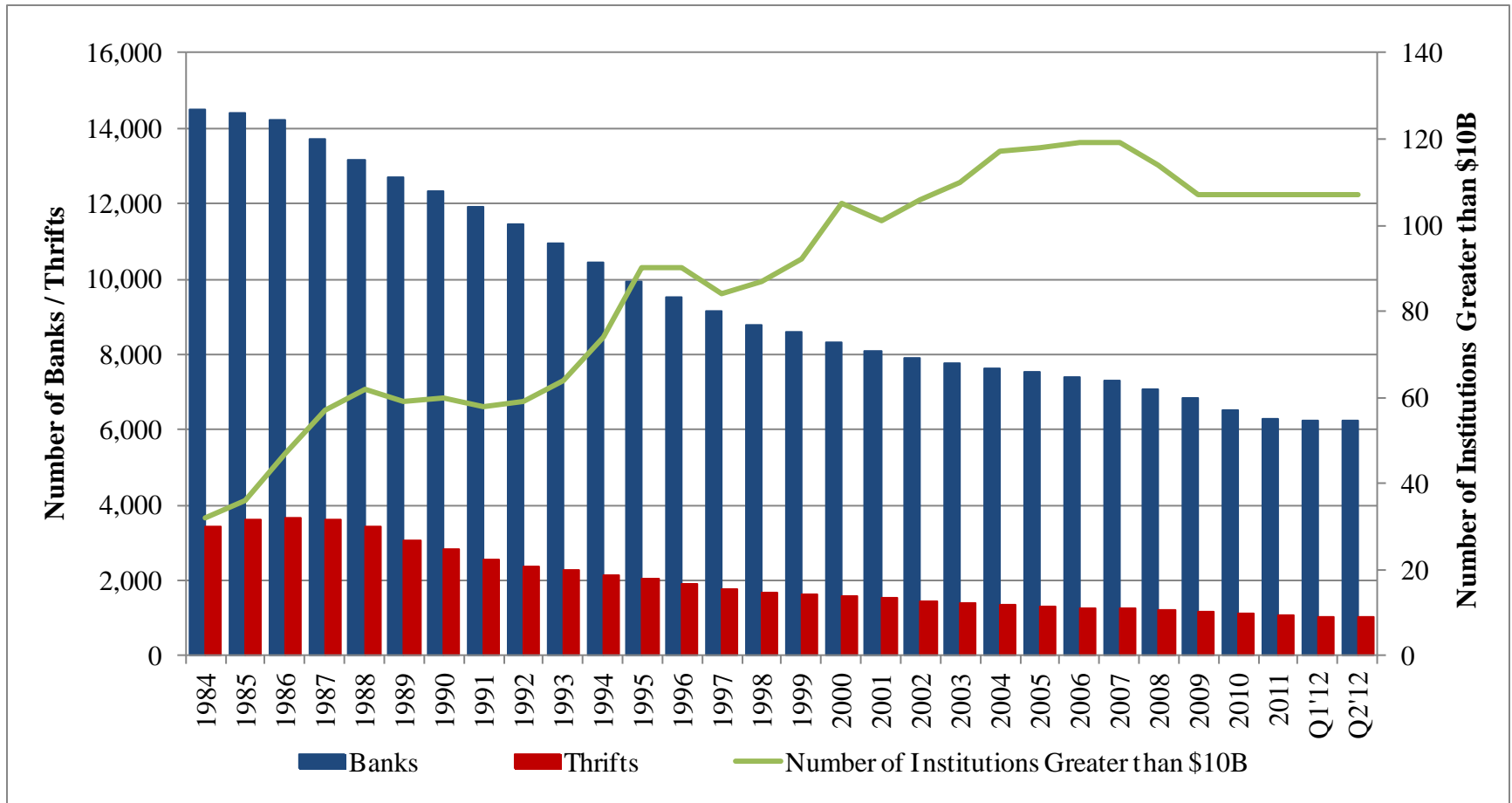
Rates: Steep to flattening yield curve
Credit: Spreads normalize and problem assets decline
Valuation: Multiples still conservative
Earnings: Growth and visibility
M&A: Activity picks up, healthy bank transactions
Regulatory: Still tight, market adjusts to new rules

Rates: Easing with steeper yield curve
Credit: Spreads widen, losses & problem assets grow
Valuation: Multiples compress
Earnings: Decline
M&A: Slow and bad deals happen
Regulatory: Jawboning

Rates: Very steep yield curve
Credit: Spreads, losses and problem assets peak
Valuation: Multiples below book value
Earnings: Limited to no visibility
M&A: Largely consists of assisted and distressed deals
Regulatory: New rules and programs introduced

Consolidation

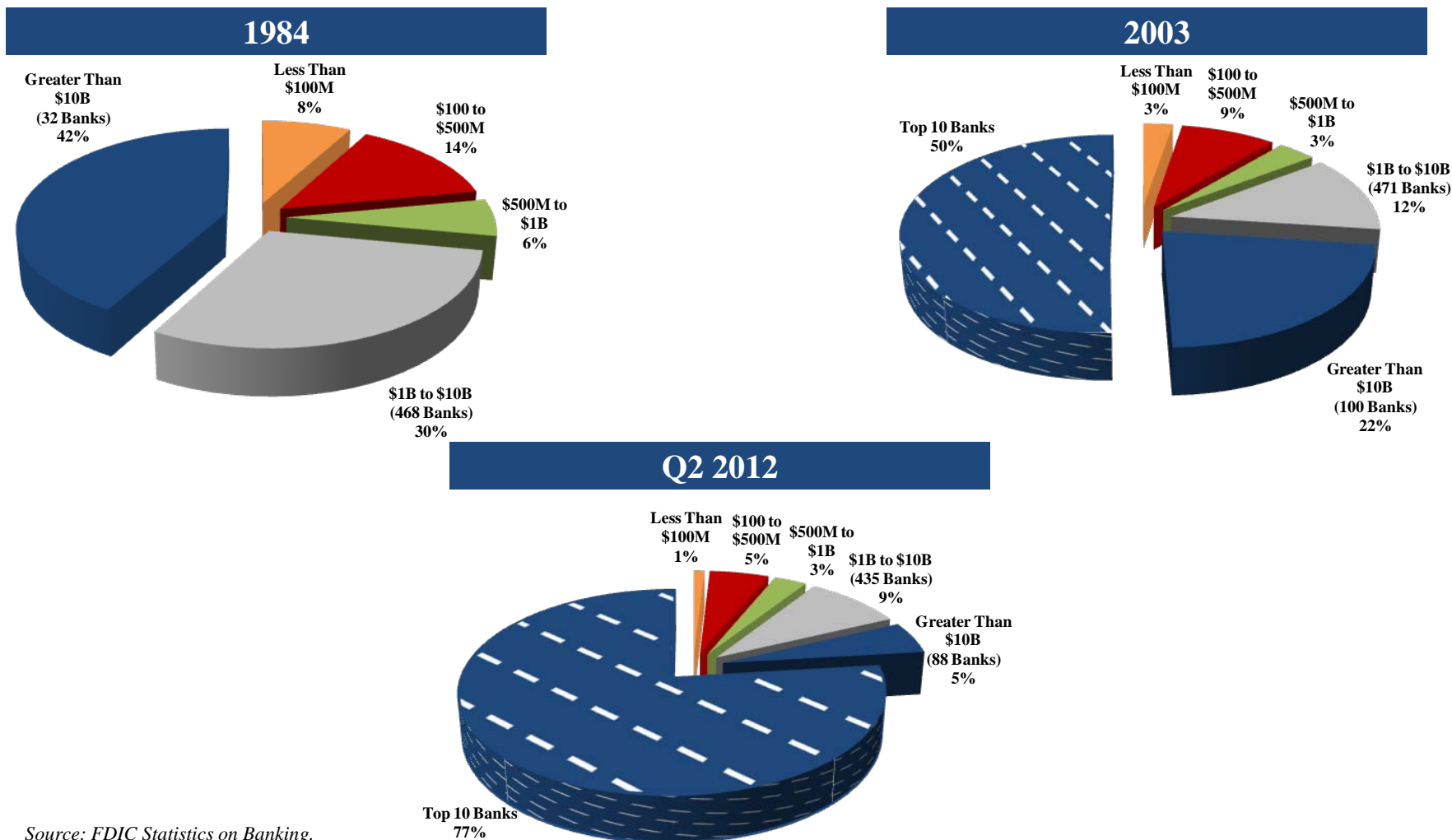
Consolidation is a long term banking trend



Source: FDIC Quarterly Banking Profile.

Consolidation

Market share of the banking industry by asset size



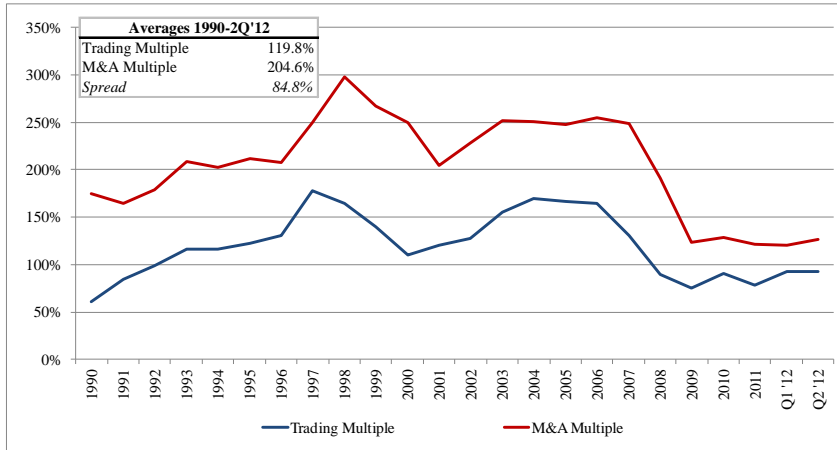
Source: FDIC Statistics on Banking.

Note: Greater than \$10B category excludes top 10 banks.

Valuation – Bank Trading & M&A Multiples

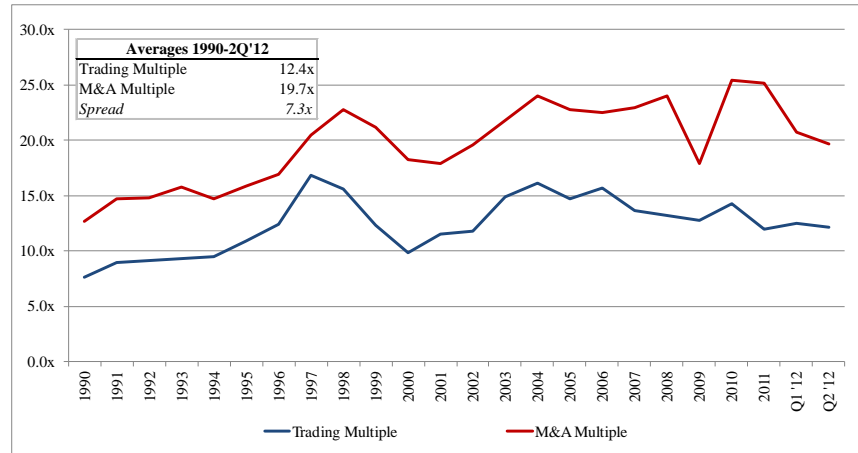
Price-to-Tangible Book

Investors tend to discount bank valuations to reflect embedded credit losses



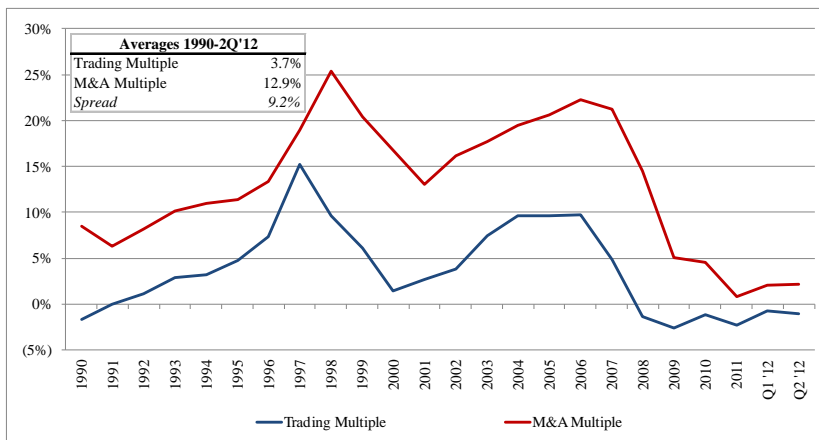
Price-to-Earnings

Price-to-earnings multiples are less reliable without earnings visibility



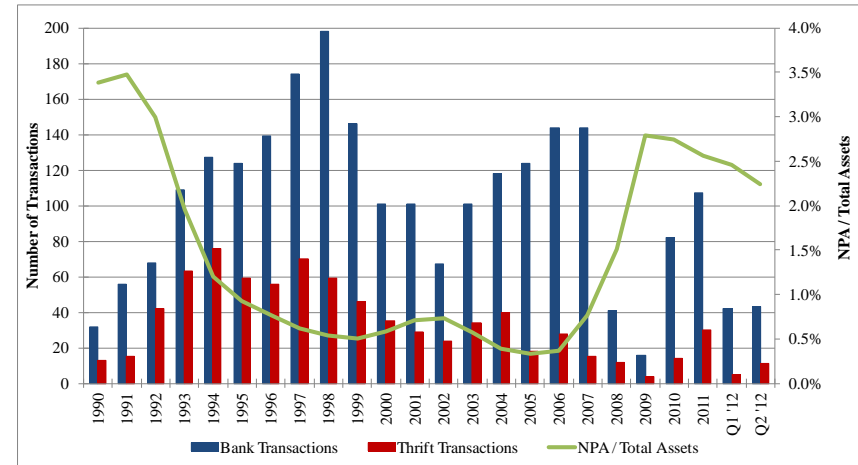
Core Deposit Premium

Credit losses directly impact franchise value



Industry M&A Activity Versus NPA / Total Assets

Buyers are very cautious when asset quality problems are rife



Source: SNL Financial & FDIC Quarterly Banking Profile.

Investment Opportunities

Endicott has successfully deployed capital across an array of banking industry themes and committed funds through minority investments in community banks throughout the U.S.

Current Investment Themes	Rationale	Illustrative Transaction (Endicott as lead investor)
FDIC Transactions	<ul style="list-style-type: none"> Attractive financial transactions with limited credit risk FDIC “problem institutions” have grown to 813 at year-end 2011 from 76 at year end 2007. These 813 banks represent \$319B or 2.3% of total banking assets 	<ul style="list-style-type: none"> Community & Southern Holdings
Growth Capital	<ul style="list-style-type: none"> Identify strong deposit franchises trying to achieve scale Market dislocation allows for opportunity to build attractive franchises 	<ul style="list-style-type: none"> CNB Financial (NASDAQ: CCNE)
Funding M&A	<ul style="list-style-type: none"> Tailwind of consolidation is expected to be strong Number of FDIC-insured institutions has declined from 9,904 in 2000 to 7,357 at year-end 2011 Small banks are feeling the effect of increased operating expenses and heightened regulatory burdens 	<ul style="list-style-type: none"> WashingtonFirst Bankshares (OTC: WFBI)
Recapitalizations	<ul style="list-style-type: none"> Participate in restructurings or turnarounds typically with new management teams 	<ul style="list-style-type: none"> American Chartered Bancorp
Government Refinancing Transactions	<ul style="list-style-type: none"> At year-end 2011, over 600 institutions had government financing in the form of TARP or SBLF, representing approximately \$20 billion of capital Terms and oversight of government financing become more onerous in the future, incenting banks to refinance with private capital 	<ul style="list-style-type: none"> First Merchants Corporation (NASDAQ: FRME)

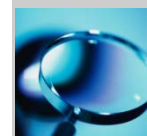
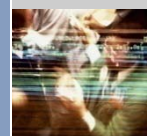
IV. Biography

Wayne K. Goldstein

Wayne K. Goldstein is a Co-Founder and Principal of The Endicott Group. As such, Mr. Goldstein is responsible for the development of the funds and the implementation of the investment strategy. In addition, Mr. Goldstein provides financial, strategic and transaction advisory services to middle-market financial institutions. Mr. Goldstein serves on the Board of Directors of First Capital Corporation and American Chartered Bancorp, Inc. and serves as a Board Observer to Community & Southern Holdings, Inc. Prior to founding Endicott, from 1988 to January 1996, Mr. Goldstein was a Managing Director at Sandler O'Neill & Partners, L.P., an investment banking firm specializing in financial institutions. Mr. Goldstein received a Master of Business Administration in finance from New York University and a Bachelor of Arts in economics from Brandeis University.



Questions?



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